

Press Release

Friday 30 October 2009

EUROPEAN INVESTMENT BANK EXAMINING OVER £300 MILLION OF FUNDING TO HELP CONNECT OFFSHORE WIND FARMS

The EIB and Ofgem E-Serve have today announced that the EIB is considering provision of over £300 million of funding to investors in high voltage transmission links to offshore windfarms in Great Britain. The funding will be available for six projects, which mark the start of an important expansion of offshore generation to help meet the Government's emissions reduction targets.

Taken together, the six transmission projects will connect around 1.6 gigawatts of offshore generation.

Simon Brooks, Vice-President of the European Investment Bank, said: "The European Investment Bank welcomes Ofgem's initiative in promoting this essential element of the UK's renewable energy infrastructure. Electricity from offshore wind farms will make a key contribution to national power supply and help achieve 2020 emissions targets."

Given the importance of offshore wind in cutting emissions, the Department for Energy and Climate Change (DECC) and Ofgem E-Serve have put in place competitive arrangements to ensure generators benefit from cost effective connections to the mainland electricity network. Those firms competing to run connections to these six projects can now apply to the EIB for funding.

Ofgem's Chairman Lord Mogg said: "The EIB's decision to consider these projects for funding of over £300 million is an important step forward for delivering competitively priced connections for offshore wind farms.

"By adopting a competitive process for connections Ofgem E-Serve is endeavouring to keep the cost of connection to generators as low as possible. This brings benefits to consumers, who will ultimately fund the £15 billion required to connect the 33 gigawatts of offshore generation needed to help meet Britain's emission targets.

"Ofgem's recent review of the challenges Britain faces in securing energy supplies and achieving climate change targets has shown that investment in offshore wind could play a vital role in helping Britain meet its climate change targets and in reducing its dependence on imported gas."

Welcoming the announcement, Minister of Energy Lord Hunt said: "The EIB's support will be very welcome. Connecting offshore wind farms to the grid quickly and cost-effectively will be crucial to tackling climate change and securing our future energy supplies. This money would help projects currently under construction get their cables in the water and feeding into the grid quickly and cheaply."

Notes to editors

1. Offshore connections

In 2009 the Government introduced a new regulatory regime for licensing offshore electricity transmission, which uses competitive tendering to ensure the cable connections are delivered on time and at reasonable cost.

Ofgem E-Serve – recently set up in Ofgem’s reorganisation- has already shortlisted thirteen firms as bidders to run the connections for the first phase of the drive to connect up offshore wind farms, known as the transitional regime.

The 13 bidders* that have qualified to proceed to the Qualification to Tender stage are:

1. ABN Amro Infrastructure Capital Management Ltd
2. Balfour Beatty Capital Limited
3. DONG Energy Sales and Distribution A/S
4. Equitix (a consortium of Equitix and AMP)
5. ESB International Limited
6. Frontier Power Consortium (a consortium of Frontier Power Limited and Infracapital Partners LP)
7. Imera Limited
8. Macquarie Capital Group Limited
9. National Grid Offshore Limited
10. RWE Npower plc
11. SSE Offshore Transmission Limited
12. A consortium of Stakraft UK Limited and StatoilHydro UK Holdings Limited
13. Transmission Capital Partners (a consortium of International Public Partnerships Limited, Transmission Capital Limited and Amber Infrastructure Limited)

* actual names of Applicant shown above with consortia details in brackets where appropriate.

As part of this tender process firms will be competing to own and run offshore transmission links for nine projects, six of which (see below) will be eligible for funding from the EIB.

The present round of tenders is known as the transitional regime and open the way for transmission licensees to own and operate transmission assets for offshore renewable projects which have been or are being constructed. A second transitional tender process is scheduled to begin next year.

Subsequent tenders will be known as the **Enduring** regime for projects that will be identified as they meet certain preconditions set by Ofgem. Under the enduring regime, potential investors will be able to bid to design, build, finance and maintain the transmission assets required to connect offshore generators to the onshore grid.

For more information see Factsheet 79 *"Networks for offshore wind power – regulating for sound investment."* is available from the Ofgem website at www.ofgem.gov.uk.

2. Ofgem E-Serve

To reflect the importance of sustainability and the low carbon agenda, the Ofgem Group is made up of two Business Units: **Ofgem**, the regulator and **Ofgem E-Serve**, the delivery arm.

Ofgem E-Serve focuses on administering environmental programmes such as the Renewables Obligation, Carbon Emission Reduction Target (CERT), Community Energy Saving Programme (CESP) and the Climate Change levy exemption for renewables. It also manages the delivery of sustainable projects such as offshore transmission connections and is expected to have a key role in the delivering of feed-in tariffs for micro generation and the proposed Carbon Capture and Storage Levy.

3. Projects under consideration

Project	Wind farm Developer (s)	MW	Expected completion date
1. Sheringham Shoal	StatoilHydro, Statkraft	315	Q1 11
2. Ormonde	Vattenfall	150	July 11
3. Greater Gabbard	SSE/Airtricity, RWE Innogy	504	Mar 11
4. Thanet	Vattenfall	300	Oct 10
5. Walney 1	DONG Energy	178	Apr 11
6. Walney 2	DONG Energy	183	Oct 11
Total		1,630	

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